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SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1946.

No. 450.

**MAY HOSIERY MILLS,
Petitioner and Appellant Below,**

vs.

**HOLD STITCH FABRIC MACHINE COMPANY,
Respondent and Appellee Below.**

PETITION FOR WRIT OF CERTIORARI

To the Supreme Court of the State of Tennessee

and

BRIEF IN SUPPORT THEREOF.

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SUPREME COURT OF THE UNITED STATES.

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PETITION FOR WRIT OF CERTIORARI

To the Supreme Court of the State of Tennessee.

**To the Honorable Fred M. Vinson, Chief Justice of the
United States, and the Associate Justices of the
Supreme Court of the United States:**

Your petitioner respectfully shows:

I.

SUMMARY STATEMENT OF THE MATTERS INVOLVED.

**The sole question raised by this case in this Honorable
Court, as in the Court below, involves the jurisdiction of
the State Courts of Tennessee to try the matters presented**

by the original bill filed by the complainant (respondent herein) in Part II of the Chancery Court of Davidson County, Tennessee, on December 11, 1945, in view of Sec. 371, Title 28, United States Code Annotated, which provides in part as follows:

“The jurisdiction vested in the courts of the United States in the cases and proceedings hereinafter mentioned, shall be exclusive of the courts of the several states:

.

“Fifth. Of all cases arising under the patent-right, or copyright laws of the United States.”

Briefly stated, the respondent's original bill contains the following allegations:

That both parties are corporations, organized and doing business under the laws of the State of Tennessee; that the complainant was granted letters patent by the United States of America through the Commissioner of Patents as assignee of one Clarence W. Minton to three certain inventions on June 12, 1945; that, by virtue of the said letters patent, the complainant is entitled to the exclusive right to make, use and vend said inventions throughout the United States and the territories thereof for a period of seventeen years; that the complainant is informed that the defendant claims an equitable title to the said patents and that, in fact, the defendant was at the time of the filing of the original bill engaged in the manufacture of one hundred of the machines covered by the said letters patent and that, unless restrained by the Court, the defendant would “shortly install such machines and begin production thereon in violation of complainant's right as set out in the patents aforesaid.”

The relief sought by the complainant, in addition to the usual formal prayers for process and general relief, was that the defendant be compelled to assert any claim

it may have to title to said inventions covered by the letters patent granted to the complainant, that the Court "determine and declare the complainant's exclusive ownership in and to said inventions covered by each of the patents aforesaid" and, most important, "that the defendant be forever enjoined from the manufacture, use or sale of any of the machinery, processes or products covered by said inventions" (Rec. pp. 1-5).

On December 22, 1945, the petitioner herein filed a petition in the Trial Court to remove the cause to the United States District Court for the Middle District of Tennessee, which was done (Rec. pp. 46-47). However, upon motion of the respondent in that Court (Rec. pp. 49-50), the United States District Judge ordered the cause remanded to the State Court in which it had been brought originally upon the theory that the Federal Court had no jurisdiction to try the case (Rec. p. 50).

The proceedings in the Federal District Court are not material to this petition and will not be discussed further except to say that it is our earnest insistence that the United States District Court was in error in remanding the cause to the State Court. However, no method of review of such an order of the United States District Court is provided by law.

The petitioner thereupon filed a demurrer in the lower Court attacking the jurisdiction of the State Court upon the ground that the only issues presented by the allegations of the original bill were questions solely within the jurisdiction of the Federal Courts (Rec. pp. 50-51). Upon argument of this demurrer, the learned Chancellor was pleased to overrule the petitioner's demurrer, to which action of the Court the defendant excepted and prayed a discretionary appeal to the Supreme Court of the State of Tennessee. The State Supreme Court in an opinion by Mr. Justice Chambliss filed June 1, 1946, erroneously held that the State Court had jurisdiction to try the issues presented and affirmed the decree of the Chancellor.

II.

**REASONS RELIED ON FOR THE ALLOWANCE
OF THE WRIT.**

(a) The federal question of substance and not theretofore determined by this Court as to the jurisdiction of State Courts to try cases arising under the patent-right laws of the United States was decided by the Supreme Court for the State of Tennessee in favor of the respondent by holding that where the record owner of a patent institutes a suit for infringement of his patent, the State Court will acquire jurisdiction if the complainant in its original bill sets out, in anticipation of a defense of license or authority to use the patent, averments intended to defeat such a defense.

(b) The said Supreme Court for the State of Tennessee, in said case, decided the federal question of substance as to the jurisdiction of State Courts to try cases arising under the patent-right laws of the United States by holding that where the record owner of a patent institutes a suit for infringement of his patent, the State Court will acquire jurisdiction if the complainant in his original bill sets out, in anticipation of a defense of license or authority to use the patent, averments intended to defeat such defense, which decision is not in accord with the decisions of this Court, including the cases of *Lockett v. Delpark*, 270 U. S. 496, 70 L. ed. 703, 46 S. Ct. 397, and *The Fair v. Kohler Die & Specialty Co.*, 228 U. S. 22, 57 L. ed. 716, 33 S. Ct. 410; nor is it in accord with the decisions of the various Circuit Courts of Appeal, including the cases of *Rubens v. Bowers* (C. C. A. Calif.), 136 F. (2d) 887; *Dill Mfg. Co. v. Goff* (C. C. A. Ohio), 125 F. (2d) 676, cert. denied, 317 U. S. 672, 87 L. ed. 540, 63 S. Ct. 77; *Laning v. National Ribbon & Carbon Paper Mfg. Co.* (C. C. A. Ill.), 125 F. (2d) 565, and *Lion Mfg. Corp. v. Chicago Flexible Shaft Co.* (C. C. A. Ill.), 106 F. (2d) 930.

Wherefore, your petitioner prays that a writ of certiorari issue under the seal of this Court, directed to the Supreme Court of the State of Tennessee commanding said Court to certify and send to this Court a full and complete transcript of the record and of the proceedings of the said Supreme Court of the State of Tennessee had in the case numbered and titled on its docket, No. 35,200, Hold Stitch Fabric Machine Company, Appellee, v. May Hosiery Mills, Appellant, to the end that this cause may be reviewed and determined by this Court, as provided for by the statutes of the United States; and that the judgment herein of said Supreme Court of the State of Tennessee be reversed by the Court, and that the petitioner have such further relief as to the Court may seem proper.

This August 26, 1946.

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SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1946.

No.

MAY HOSIERY MILLS,
Petitioner and Appellant Below,

vs.

HOLD STITCH FABRIC MACHINE COMPANY,
Respondent and Appellee Below.

BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

I.

OPINIONS OF COURTS BELOW.

The opinion of the State Supreme Court of Tennessee has been reported in 195 S. W. (2d) at page 18 and is also found in the record filed herewith, at pages 52 to 62, inclusive. The opinion of the Chancellor who heard this cause in the Trial Court appears only in a formal order overruling the petitioner's demurrer, and may be found in the record filed herewith at page 51.

Note: [All emphasis in this brief ours unless otherwise indicated.]

II.

JURISDICTION.

(1) The date of the decision and judgment of the Supreme Court for the State of Tennessee to be received is June 1, 1946, and this petition has been filed within the time required by statute (Rec. p. 52).

(2) The statutory provision which is believed to sustain the jurisdiction of this Court is United States Code Annotated, Title 28, Sec. 344, Judicial Code, Sec. 237, as amended.

(3) This case involves the construction of the laws of the United States and particularly the jurisdiction of the State Courts to try cases arising under the patent-right laws of the United States and under United States Code Annotated, Title 28, Sec. 344, Judicial Code, Sec. 237, as amended, the only method to review decision and judgment of the Supreme Court of Tennessee is by petition to this Court for the writ of certiorari.

III.

STATEMENT OF THE CASE.

We have heretofore set out a rather complete statement of the case in the preceding petition under section I (*supra*, pp. 1-3), which is here adopted and made a part of this brief. For this reason, we will not burden the Court with an additional statement of the case.

IV.

SPECIFICATION OF ERROR.

(1) The Supreme Court of Tennessee erred in holding that the State Chancery Court had jurisdiction to try the issues presented by the original bill filed in this cause because it is provided by United States Code Annotated, Title 28, Sec. 371, that the exclusive jurisdiction to try the matters presented herein is vested in the Courts of the United States (Rec. pp. 52-62).

V.

ARGUMENT.

The sole question presented to this Honorable Court by this petition for writ of certiorari to the Supreme Court of the State of Tennessee is whether or not the exclusive jurisdiction to try this cause is vested in the United States District Courts or in the State Courts. The respondent in its original bill alleges legal title to three certain patents to be vested in itself, and seeks an injunction restraining the petitioner from manufacturing, using or selling any machines, processes or products covered by said patents. Certainly, by these allegations, the Trial Court was presented with an infringement suit and it is well settled and, in fact, undisputed, that an infringement suit is cognizable only in the Courts of the United States.

In re Hohorst, 150 U. S. 753, 37 L. ed. 1211, 14 S. Ct. 221;

Cinema Patents Co. v. Columbia Pictures Corp., 62 F. (2d) 310.

However, in addition to the above allegations, the respondent alleged in its original bill that the petitioner claims equitable ownership to the three certain patents and in its prayers asked the Court to "declare the complainant's exclusive ownership in and to said inventions covered by each of the patents." The real question presented by this petition is whether or not these additional allegations in the respondent's original bill change the complexion of this action from an infringement suit to a suit which does not arise "under the patent-right or copyright laws of the United States." To answer this question is to decide the issues herein presented.

If the present action is not an infringement suit, the opinion and judgment of the State Supreme Court affirming the decree of the Trial Court in overruling the petitioner's demurrer should be sustained and this petition for the

writ of certiorari denied; if, however, under the allegations of the original bill, an infringement suit is presented, the present petition should be granted; all to the end that the opinion of the State Supreme Court be reversed and the respondent's suit dismissed. The first comparatively recent case which touched upon this question is the case of *The Fair v. Kohler Die & Specialty Co.*, 228 U. S. 22, 57 L. ed. 716, 33 S. Ct. 410, which was also a patent case and wherein this Court said:

“Jurisdiction cannot be conferred by the defense, even when anticipated and replied to in the bill.”

We respectfully insist that the respondent's allegations of the petitioner's claim to equitable ownership of the patents do no more than anticipate petitioner's defense to the infringement suit, for such allegations are certainly not necessary to the maintenance of an infringement suit seeking to restrain petitioner from further infringement upon the respondent's patents.

Again, in the case of *Luckett v. Delpark*, 270 U. S. 496, 70 L. ed. 703, 46 S. Ct. 397, this Honorable Court, in overruling its former opinion in the case of *Hartell v. Tilghman*, 99 U. S. 547, 25 L. ed. 357, recognized petitioner's position in the principal case to be the correct rule of law.

In the *Hartell* case the plaintiff sued for an infringement of his patent rights and alleged that he was the legal owner of the patent there in question but further alleged that a contract had at one time been entered into between him and the defendant, by the terms of which the defendant was granted a license to manufacture and sell the patented articles. The plaintiff further alleged that the defendant would rely on this contract as a defense to the infringement suit but that, as a matter of fact, said contract had been rescinded and was no longer in effect. The Supreme Court, with three Justices dissenting and two not participating, held that the Federal Court had

no jurisdiction to try the case because it appeared that the principal issue would be the defendant's right to manufacture the patented articles. In overruling its opinion in the *Hartell* case, this Court in the *Luckett* case said, after reviewing the various authorities:

"The result of these cases is that a federal district court is held to have jurisdiction of a suit by a patentee for an injunction against infringement and for profits and damages, even though in anticipation of a defense of a license or authority to use the patent, the complainant includes in his bill averments intended to defeat such a defense. If these averments do not defeat such defense, the patentee will lose his case on the merits, but the court's jurisdiction under the patent laws is not ousted. The error in *Hartell v. Tilghman*, *supra*, was in denying jurisdiction under the patent laws when the patentee based his action broadly on his patent and averment of infringement seeking injunction and damages. His averments intended to constitute a reply to the anticipated defense that the defendant was a licensee did not change the nature of his declared choice of a suit under the patent laws. This under the principle now established by the later cases, and especially *The Fair v. Kohler Die & Specialty Co.* (*supra*), and *Healy v. Sea Gull Specialty Co.* (237 U. S. 479, 59 L. ed. 1056, 35 S. Ct. 658), is clear."

Certainly, if the Court was in error in holding that it had no jurisdiction in the *Hartell* case, the State Courts have no jurisdiction in the case presented here because in the *Hartell* case the defendant, under the allegations of the original bill, admittedly had the legal right to manufacture and sell the patented articles at one time, while in the case now before this Honorable Court, the defendant (petitioner herein), under the allegations of the original bill has never had any legal right to manufacture, use or vend the patented processes. Under the allegations

of the original bill, the defendant does not have nor has it ever had any right or interest in any of the three said patents, through ownership, license or otherwise, cognizable in law and whatever rights it may have are purely equitable rights.

The latest expression of the Federal Appellate Courts on this question seems to have been by the United States Circuit Court of Appeals for the Ninth Circuit in the case of *Rubens v. Bowers* (C. C. A. Calif.), 136 F. (2d) 887, wherein the plaintiffs alleged in their original bill of complaint that they were the sole owners of the legal title to certain letters patent and prayed for an injunction and profits and damages for an infringement, conceding, however, in their complaint that the defendants were claiming title to the patents. The Court, in holding that the United States District Court had jurisdiction of the cause, said:

“A case with issues affecting the legality or the infringement of a patent is a patent suit falling within the jurisdiction of the United States District Court. (Citing numerous cases.) If a suit falling within the latter category anticipates the defense of a license or contract and there are included in the bill averments in reply to such a defense, the jurisdiction of the United States District Court is not thereby affected.”

The United States Circuit Court of Appeals for the Seventh Circuit, in passing upon the questions raised herein in the case of *Laning v. National Ribbon & Carbon Paper Mfg. Co.* (C. C. A. Ill.), 125 F. (2d) 565, said:

“1. If the plaintiff bases his action broadly on his rights under the patent laws and alleges infringement of those rights the case is one arising under the patent laws and the federal courts have jurisdiction therein. Although the answer raises an issue foreign to the patent laws, for example, the existence or

non-existence of a contract, or if the plaintiff in his complaint anticipates such a defense—even if subsequent pleadings show that the sole question to be determined is a matter of general law as opposed to patent law—yet the action is one arising under the patent laws. *Healy v. Sea Gull Specialty Co.*, 237 U. S. 479, 35 S. Ct. 658, 59 L. Ed. 1056; *The Fair v. Kohler Die & Specialty Co.*, 228 U. S. 22, 33 S. Ct. 410, 57 L. Ed. 716; *Excelsior Wooden Pipe Co. v. Pacific Bridge Company*, 185 U. S. 282, 22 S. Ct. 681, 46 L. Ed. 910; *Littlefield v. Perry*, 21 Wall. 205, 88 U. S. 205, 22 L. Ed. 577.

“2. If, however, the action is one in which the plaintiff asks affirmative relief as a basis for his right to relief for infringement, then the action is not one arising under the patent laws.”

The United States Circuit Court of Appeals for the Sixth Circuit had the same question before it in the case of *Dill Mfg. Co. v. Goff*, 125 F. (2d) 676, cert. denied, 317 U. S. 672, 87 L. ed. 540, 63 S. Ct. 77, and held the law to be the same as declared by the cases cited and discussed above.

From all these cases it appears that the correct rule of law may be stated as follows: If the complainant has a legal right to the use and profits of a patent and sues for infringement thereof, the only forum in which the suit may be instituted is the Federal District Court even though the bill of complaint alleges that the defendant will defend upon the ground that he has an equitable right to the use of the patent in question; however, if the complainant does not have a legal interest in the patent but sues for infringement, alleging that equitable title to the patent is in him, he must sue in the State Court. The reason for the difference in the two rules being, as expressed by the United States Circuit Court of Appeals for the Seventh Circuit in the case of *Lion Mfg. Co. v. Chicago Flexible Shaft Co.* (C. C. A. Ill.), 106 F.

(2d) 930, that when the complainant holds an equitable but not a legal title to the patent, "the injunctive process of the Court could not be invoked nor the claim of infringement maintained until and unless the plaintiff was entitled to and acquired legal title." When this rule is examined, the wisdom of it cannot be denied. Where the complainant has only an equitable title, he must first seek an order of the court vesting a legal interest in the patent in him before he can further prosecute his suit for infringement. In other words, his suit is primarily one arising under the state law to invoke the aid of equity to compel and order an assignment of the patent. Infringement in such a suit is, therefore, necessarily secondary to title.

However, where a sufficient legal right to the use of a patent to maintain an infringement suit is vested in the complainant, he needs no aid from any court as a requisite to prosecuting to a conclusion his patent infringement suit. The distinction between these two situations is clearly and forcefully stated in the opinion of the Circuit Court of Appeals for the Sixth Circuit in the *Dill Mfg. Co.* case, wherein the Court said:

"At the risk of repetition it must be made clear that the present case is not one wherein suit for infringement is brought by one holding title even though his title be challenged and charged with infirmity. It is a suit wherein title first must be adjudicated, with adjudication dependent entirely upon the principles and rules of equity and involving in no degree the act of Congress conferring or protecting patent rights. In a situation almost identical with this the court of the Seventh Circuit in *Lion Mfg. Corp. v. Chicago Flexible Shaft Co.*, 106 F. 2d 930, 932, clearly perceived this distinction: 'That the primary and controlling purpose of the bill was to compel an assignment of the legal title of the patent, by the defendants to the plaintiff, seems so certain as not to admit of serious dispute. The other

relief sought was dependent thereon. The injunctive process of the court could not be invoked nor the claim of infringement maintained until and unless the plaintiff was entitled to and acquired legal title.' These observations are equally applicable to the bill here considered."

In the instant case, under the pleadings, the complainant admittedly holds legal title to all three of the patents in question. Therefore, this case can be maintained only in the United States District Court for, since it is a patent infringement suit, exclusive jurisdiction of the cause is vested in that Court.

There is still another reason for the distinction between a patent infringement suit brought by the legal owner of the patent and one brought by the alleged equitable owner thereof. In a suit brought by the equitable owner, a pure question of title to the patent arising under the state law of contracts is presented, for the legal owner of the patent may make no defense except one of title. He may not challenge the validity of the patent (*Dill Mfg. Co. v. Goff, supra*), nor may he deny that he is infringing the patent because he admittedly holds legal title to the patent. However, if the owner of the legal title to a patent institutes an infringement suit, there is no assurance that a title question will be presented even though the original bill of complaint alleges that the defendant claims an equitable title to the patent because the complainant cannot thereby limit the defenses available to the defendant and the defendant may attack the validity of the patent or plead that there has been no infringement as his defense.

CONCLUSION.

We should like, in conclusion, to again call the Court's attention to the fact that the reason for presenting this case to this Honorable Court by way of a petition for the writ of certiorari to the Supreme Court of the State of Tennessee to determine the jurisdictional question herein presented rather than seeking a review of the Federal District Judge's action in remanding this cause to the State Court by way of appeal to the United States Circuit Court of Appeals is that, under the federal law, the action of the Federal District Judge in remanding a case to the State Court may not be reviewed.

28 U. S. C. A., Sec. 71;

United States v. Rice, ... U. S. ..., 90 L. ed. adv. ops. 769, 66 S. Ct. 835;

Employers Reinsurance Corporation v. Bryant, 299 U. S. 374, 81 L. ed. 289, 57 S. Ct. 273;

Yankaus v. Filtenstein, 244 U. S. 127, 61 L. ed. 1036, 37 S. Ct. 567;

Pacific Live Stock Co. v. Lewis, 241 U. S. 440, 60 L. ed. 1084, 36 S. Ct. 637.

It is our earnest insistence that, under the authorities above discussed and for the reasons therein stated, the Courts of the State of Tennessee have no jurisdiction to try the question presented by the original bill of complaint since the respondent, by the allegations of its original bill, clearly alleges and shows itself to be the sole owner of the legal title to the patents in question. We, therefore, respectfully submit that this Honorable Court should grant the writ of certiorari prayed herein to the end that the opinion and judgment of the Supreme Court of Tennessee,

in holding that the State Courts of Tennessee have jurisdiction to try the issues involved herein, be reversed and the respondent's suit dismissed.

Respectfully submitted,

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